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INTRODUCTION

The Office of Internal Audit performed an audit of Manistee County FIA for the period October 1, 1999 through February 9, 2000. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Manistee County FIA had 29 full time equated positions (FTE's) at the time of our review. Manistee County FIA provided assistance to an average 1,640 recipients per month during FY 1999, with total assistance payments of \$1,714,219 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Manistee County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
Accounts Receivable	General Ledger
Modified Accrual Basis Balance Sheet	Safe and Controlled Documents
Food Stamp Inventory and Issuance	Medical Transportation
State Emergency Relief (SER)	Employment Support Services
Client Processing	CIS/ASSIST
IRS Information Security	Payroll and Timekeeping
Procurement Card	Telephone Usage
Child Well Being	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Manistee County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. This conclusion is based on Manistee County FIA operating in a small office control environment, with one staff in the fiscal office. However, CIS/Input/Output and Payroll and Timekeeping controls need improvement to strengthen controls.

LOCAL OFFICE RESPONSE

The management of Manistee County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated April 4, 2000 that they are in general agreement with the report, and have implemented corrective action for all items.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Verification of Deposits

1. Manistee County FIA did not follow established procedures for verifying that funds received through the mail were deposited. Staff independent of the cash receipting process verified the funds to be deposited with the edit listing and Official Cashiers Receipts, but did not verify the mail logs with the edit list to determine that all of the funds received through the mail were included in the deposit.

Accounting Manual Item 433, page 4, also requires the entries on the mail logs to be reconciled with the receipts on the edit listing

Verification of the mail log entries with the edit listing in addition to the verification process currently being performed improves internal controls over the cash receipting process.

WE RECOMMEND Manistee County FIA reconcile the mail log entries with the edit listing when verifying that all funds received by the Cashier are included in the deposit.

Cash Disbursements

Check Signer Log Initialing and Reconciliation with the Check Register

2. Manistee County FIA did not have the staff signing checks initial the check signing log or have staff independent of the check signing process reconcile the check signing log with the Check Register. The Local Office uses the ‘Certex’ Check Signer Log Book that was supplied with the LASR check signer. This log does not have a signature or check register reconciliation section similar to the Sign-O- Meter Record (FIA-4711).

Accounting Manual Item 410.1 requires the staff signing checks to enter their initials on the log, and that the check signing log be reconciled with the check register by someone who does not sign checks.

Reconciliation of the Check Signing Log with the Check Register provides assurance that all checks that are processed through the check signer are accounted for in the accounting records.

WE RECOMMEND Manistee County FIA require the staff signing checks to initial the ‘Certex’ Check Signer Log Book when signing checks, and have someone independent of the check signing process reconcile the Check Signer Log Book with the Check Register each month.

Accounts Receivable

No findings in this area.

General Ledger

No findings in this area.

Modified Accrual Basis Balance Sheet

No findings in this area.

Safe and Controlled Documents

No findings in this area.

Food Stamp Inventory and Issuance

Returned Food Stamps

3. Manistee County FIA did not have staff independent of the Fiscal unit review the disposition of food stamps returned to the Local Office as undeliverable. Internal control over the disposition of undeliverable food stamps can be improved by having staff independent of the Fiscal unit review the disposition to determine if the food stamps were disposed of as instructed by the workers.

WE RECOMMEND Manistee County FIA have staff independent of the Fiscal unit review the disposition of food stamps returned in the mail as undeliverable.

Medical Transportation

No findings in this area.

State Emergency Relief

No findings in this area.

Employment Support Services

No findings in this area.

Client Processing

Assignment of Applications to FIS and ES Specialists

4. Manistee County FIA did not use ASSIST to assign applications to Family Independence Specialists or Eligibility Specialists. Rather the Local Office had the Registration Support Staff override the ASSIST FIS or ES assignments using the Block Reassignment Transfer (BLASTR) transaction, and assign the Specialist using a manual rotation system. Designating an Assignment Coordinator to maintain the intake rotation for assigning applications on ASISST improves internal control over the initial assignment of an application to a Specialist.

WE RECOMMEND Manistee County FIA designate an Assignment Coordinator to maintain the intake rotation and assign applications to the FIS and ES specialists determined by ASSIST.

MA-010 Reconciliation

5. Manistee County FIA did not reconcile the transactions listed on the MA-010 (Transaction Control Report) to the casefile documentation, as required by CIS Security Policy and recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciliation of the transactions listed on the MA-010 Report provides assurance that the transactions are justified and accurate based on case record documentation and eligibility.

WE RECOMMEND Manistee County FIA reconcile the transactions listed on the MA-010 Report to the case record documentation.

CIS/ASSIST

Secure Storage of Backup Tapes

6. Manistee County FIA did not maintain backup production and operating system backup tapes at an off-site location. The Agency's Primary Internal Control Criteria for Local/District Offices states that backup tapes should be stored in an off-site secure location that protects from loss, theft or fire/water damage and limits access the person authorized to do backup tapes and appropriate supervision. Offsite storage ensures that the Local Office would be able to reconstruct its records if necessary.

WE RECOMMEND Manistee County FIA maintain backup production and operating system backup tapes at an off-site storage location.

Client Information System (CIS)/ASSIST Enrollment Profile/Security Agreements

7. Manistee County FIA did not have current and accurate CIS Security Agreements (FIA-3974A) on file for 24 employees who access the Client Information System (CIS). Fifteen staff did not have a status listed on the FIA-3974A. The status code on the FIA-3974A for five staff did not agree with the status code listed on the Operator Identification Report (PF-011). The FIA-3974A for two staff could not be located and two staff had name changes and a FIA-3974A had not been prepared to reflect the change. Also, a FIA-3720 (ASSIST Enrollment Profile) for three staff could not be located.

CIS Security Policy L-Letter L-97-063 requires an FIA-3974A to be prepared for all new users of CIS and for all current operators each time an enrollment change is proposed.

WE RECOMMEND Manistee County FIA obtain new CIS Enrollment Profile/Security Agreements (FIA-3974A) for the staff with no status on the FIA-3974A, have a status on the FIA-3974A different than that reported on the PF-011 Report, and for the staff that has had a name change.

WE ALSO RECOMMEND Manistee County FIA prepare the ASSIST Enrollment Profile (FIA-3720) forms for the three staff who had not had them prepared.

CIS Status Codes

8. Manistee County FIA had assigned Client Information Status Codes (CIS) to staff that were inconsistent with job responsibilities.

The fiscal clerk and two reception staff had been assigned “CRS” status on CIS and the Family Independence Managers had been assigned FLM status on CIS.

Internal Control Criteria established by the Family Independence Agency states that fiscal staff and Family Independence Managers should be assigned inquiry (INQ or REG) status on CIS. Reception staff with ASSIST registration capability should not have CIS file maintenance capability.

Assigning CIS status codes to allow staff access to transactions that are inconsistent with their job functions increases the risk of unauthorized transactions being processed.

WE RECOMMEND Manistee County FIA change the CIS status codes of the fiscal staff to inquiry status on CIS (INQ or REG).

WE ALSO RECOMMEND that Manistee County FIA either change the FIMs to inquiry status on CIS, or have an independent person review all transactions processed by the FIMs on CIS.

IN ADDITION, WE RECOMMEND Manistee County FIA change the CIS status codes of the reception staff to “IRG” on CIS.

IRS Information Security

No findings in this area.

Payroll and Timekeeping

Payroll Record and Retention

9. The Manistee County FIA timekeeper maintained the certified copy of the HR-332A. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND Manistee County FIA have the certifier or someone other than the timekeeper retain the HR-332A.

Payroll Reconciliation

10. Manistee County FIA reconciles the PR-180 (Bi-Weekly Hours Entered Report) with the HR-332A (Time and Attendance Summary Report) rather than the FIA-4299 (Employee Time and Attendance Report). The Primary Internal Control Criteria for Local/District

Office Operations states that the completed payroll is to be reconciled with the individual employee FIA-4299s.

WE RECOMMEND Manistee County FIA reconcile the PR-180 (Bi-Weekly Hours Entered Report) with the FIA-4299 (Individual Employee Time and Attendance Report).

Procurement Card

No findings in this area.

Telephone Usage

No findings in this area.

Child Well Being

No findings in this area.